The North Carolina narrow cost analysis was completed in November 2022 using the NC Child Care Cost Model for licensed child care centers and CostofChildcare.org to model costs for licensed Family Child Care Homes (FCCH).

The NC Child Care Cost Model was developed in partnership between the North Carolina Division of Child Development and Early Education (DCDEE) and the Center for American Progress (CAP), with additional resources provided by the National Collaborative for Infants and Toddlers (NCIT), a project of the Pritzker Children's Initiative. Data collection for this cost model was gathered through provider outreach in spring/summer 2019 and the model incorporated data from the 2015 North Carolina Child Care Workforce Study. For purposes of this narrow cost analysis, salary information from the May 2020 U.S. Bureau of Labor Statistics, "Occupational Employment and Wage Statistics was used. The cost model accounts for variation by geographic location by grouping counties into one of three regions (rural, regional city and suburban counties, and urban counties). These groupings align with the regional designations provided by the North Carolina Rural Center.

Four scenarios were modeled using the NC Child Care Cost Model for licensed child care centers for the narrow cost analysis. The models were a three-star urban center, a three-star rural center, a five-star urban center, and a five-star rural center. The average of the current payment rates for three-star and five-star centers in Tier 3 counties was analyzed against the cost modeled rates for the urban models. For the rural models, the average of the current payment rates for three-star and five-star centers in Tier 1 and Tier 2 counties was analyzed against the cost modeled rates. The 2022 North Carolina Department of Commerce County Distress Rankings (Tiers) was used for this analysis.

The NC Child Care Cost Model incorporates variations for additional quality measures such as enhanced ratios, space, and benefits. It also incorporates the costs associated with having substitutes available for staff training and professional development. Lastly, it includes non-personnel expenses for both children and staff. For children, this includes food and food related costs, classroom/child supplies, tuition assistance, parent activities, field trips, etc. For staff, this includes professional consultants, trainings/professional development, and staff travel.

Model #1: three-star urban centers – the narrow cost analysis demonstrated that the average of current rates for children ages birth – four years is lower than the modeled rates. These differences range from $35 - $244. The modeled rate for children who are five years of age is more commiserate with the current average rate.

Model #2: five-star urban centers – the narrow cost analysis demonstrated that the average of current rates for children ages one – five years of age is higher than the modeled rates. These differences range from $38 - $159. The modeled rate for infants is slightly lower than the current average rate.

Model #3: three-star rural centers – the narrow cost analysis demonstrated that the average of current rates for children ages birth – five years is lower than the modeled rates. These differences range from $116 - $439.

Model #4: five-star rural centers – the narrow cost analysis demonstrated that the average of current rates for children birth – five years is lower than the modeled. These differences range from $35 - $238. The modeled rate for children age five is more commiserate with the current average rate.

The CostofChildCare.org model used for Family Child Care Homes includes increased salaries, retirement benefits, increased contribution to health insurance, more time for teachers to plan lessons, and increased resources for classroom materials.

Two scenarios were modeled using the CostofChildCare.org model for licensed FCCH. The first model determined a base rate for FCCH, and the second model determined a rate with the enhanced options described in the previous paragraph. The narrow cost analysis demonstrated that the average of current rates for all ages in FCCH is significantly lower than the modeled rates. This was demonstrated for both the base rate model and the enhanced options model.

Both models used take into account a variety of quality indicators including ratios and space, increased salaries for teachers with higher education levels, as well as increased time for teachers to plan lessons and increased resources for classroom materials.